

**FISCAL YEAR 2004  
INTENDED USE PLAN  
  
FOR THE  
  
CLEAN WATER STATE REVOLVING LOAN FUND PROGRAM  
LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY**

Submitted to the  
U.S. Environmental Protection Agency  
Region 6

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## **I. INTRODUCTION**

This document is the State of Louisiana's Intended Use Plan (the "IUP"), prepared by the Financial Services Division (the "Division") of the Louisiana Department of Environmental Quality (the "Department"). It is for all funds available to Louisiana's Clean Water State Revolving Loan Fund (the "CWSRF") during Fiscal Year (the "FY") 2004.

This IUP is based on FY04 revenues of \$85,307,165, and expenses of \$25,919,387 leaving \$59,387,778 for future loan and administrative expenses. (See Attachment A.) Available revenues consist of the cash balance forward from the previous year, federal grants, state matching funds, interest earnings on loans and investments, principal repayments and miscellaneous earnings. It is our plan to use the FY04 revenues to provide below market rate loans on eligible projects and to administer the CWSRF program.

## **II. SUMMARY**

We estimate that approximately \$435,663,638 will be available through June 30, 2004 to provide assistance to projects listed in Chart 1. Of this amount, \$342,366,596 has been obligated to sixty-nine (69) projects receiving financial assistance as of November 1, 2003. (See Chart 1, Section A.) An additional amount of \$59,387,778 will be awarded or have binding commitments by June 30, 2004 for a total of \$348,354,374 in commitments. This results in a balance of \$779,200 in funds available for financial assistance to fund other loan projects listed on the FY04 Priority List.

The IUP for FY2004 is based on receiving continued Environmental Protection Agency/Automated Clearinghouse (EPA/ACH) payments from the Federal capitalization grants totaling \$249,493,097. See Chart 2. Five (5) projects totaling \$55,887,778 are identified as fundable during FY 2004. See Chart 1, Section A & B. Four (4) loans totaling \$29,500,000 have already been awarded for FY 2004 as of November 1, 2003.

The Division will study the feasibility of issuing bonds to expand loan monies available (leverage) when actual loan demand exceeds funds available in this plan. A Financial Plan, necessary operating and trust agreements, a summary of the proposed leveraging indentures, a 20 year cash flow summary, a flow-of-funds chart, the sources and uses of funds and a detailed financial plan will be made available for EPA review prior to issuing any bonds.

## **III. BACKGROUND**

The Division prepared this plan identifying the intended uses of the funds available to the CWSRF as authorized by Title VI of the Clean Water Act (CWA) and Act 349 of the 1986 Regular Session of the Louisiana Legislature, which amended Chapter 4 of Subtitle II of Title 30 of the Louisiana Revised Statutes of 1950. The CWSRF program is administered by the following Divisions (Financial Services, Environmental Technology, and Environmental Evaluation) under the guidance of the United States Environmental Protection Agency (the "EPA"). The CWSRF's Financial Plan will provide loans at or below market interest rates as per Section 603(d)(1) of the Water Quality Act of 1987.

The CWSRF provides its state matching funds of \$50,252,948 in a variety of ways including general fund cash appropriations, capital outlay appropriations, tobacco settlement funds and bond proceeds. Sufficient match monies have been deposited into the CWSRF ahead of federal cash draws or actual project loan needs. Federal grants of \$234,933,068, loan principal repayments of \$63,073,193; loan Interest of \$38,660,095, investment interest of \$13,183,599 and miscellaneous

earnings of \$260,911, as of June 30, 2003, have provided the CWSRF program with \$350,110,866 in monies for loans. Cash-on-hand of \$59,927,181, the 00 federal grant draws of \$1,924,027 the 01 grant draw of \$2,716,162, interest earnings on investments of approximately \$1,100,000, additional principal of \$13,761,658 and interest payments of approximately \$5,878,137 are anticipated to be available during Fiscal Year 2004 for a total of \$85,307,165 available for loans and administrative expenses (see Attachment A, Sources and Uses). An estimated \$59,387,778 is available for any additional loans from the state's priority list this fiscal year should they become ready to proceed.

#### **IV. LIST OF PROJECTS**

The CWSRF has provided financial assistance totaling \$342,366,596 as of November 1, 2003. See Chart 1, Section A. In FY 2004, it is anticipated that the CWSRF will provide funds for projects totaling approximately \$59,387,778. Of this amount \$26,000,000 has been awarded as of November 1, 2003 and \$33,387,778 is anticipated to close and start drawing funds by June 30, 2004. These municipalities are on the current CWSRF Priority List and have submitted or are preparing a Facility Plan required for participation in the program. See Chart 1, Section A and B. These loans will be funded with the FFY 2004 grant requested, applicable state match, loan repayments, and interest earnings.

The status of the National Municipal Policy (NMP) projects in this Intended Use Plan will not be affected by the work contemplated. All of the projects listed on the NMP List have been previously funded; these projects are in compliance, are on an enforcement schedule or have an enforcement action filed.

The State's Project Priority List consists of an alphabetical listing of all projects that are expected to qualify for and participate in the program. In the event that projects identified for funding are unable to proceed, these projects will be bypassed and other projects from the Project Priority List that are able to proceed will be funded based on established procedures. Should total actual project needs exceed CWSRF funds available, projects to be funded will be prioritized according to the Priority System and established procedures and/or the Division with EPA approval will sell bonds to expand the program or lock in low interest rates for future projects if it is in the best interest of the CWSRF program.

#### **V. GOAL STATEMENTS**

##### **A. Long-Term Goals**

1. To assist municipalities throughout the State in achieving and maintaining compliance with Federal and State water quality standards and enforceable requirements of the Clean Water Act.
2. Expanded eligibility under Title VI of the Clean Water Act allows financial assistance for additional project categories, including non-point sources, reconstruction of facilities, facilities needed to accommodate population growth, and groundwater-related needs.
3. To maintain the fiscal integrity of the Fund and to assure its continuous enhancements in Perpetuity.

B. Short-Term Goals

1. To assure that financial assistance is provided in an expeditious manner so that water quality improvements are obtained as soon as possible.
2. To provide financing for projects in accordance with Section 301(i)(1) of the Act, under enforcement actions, and in attaining compliance by established deadlines and for other projects listed in Chart I, Section A; and to make loan offers and enter into binding commitments with the communities listed in the fundable portion of Chart 1, Section B.
3. To promote the benefits of the program to as many communities as possible, in an attempt to assure statewide distribution of available financing resources. To assist small communities in securing funding through the program by utilizing our simplified loan process.
4. To assure coordination of activities between the three Divisions of the CWSRF.

**VI. INFORMATION ON CWSRF ACTIVITIES**

- A. Communities Served and Financial Assistance Provided - Loans and refinancing of debt are the only types of assistance provided. Both large and small communities have expressed interest in loans as well as debt refinancing.
- B. Allocation of Funds - Projects are funded on a first come, first served basis. In the event that projects identified for funding in this IUP are unable to proceed, these delayed projects will be bypassed and other projects from the Project Priority List that are ready to proceed shall be funded.
- C. CWSRF Loan Rate - The present CWSRF finance charge on all CWSRF loans is 3.95% and is stated in loan documents as 3.45% interest plus a 0.50% administrative fee. The CWSRF program charges interest at 3.45% and a 0.50% administrative fee on loan monies drawn. Funding of the finance charges during construction, (capitalized interest), is allowed but discouraged. The present CWSRF rate was set by the Secretary of the Department on December 20, 1996. The financial staff reviews the rates and recommendations are made to the Secretary for changes. Actual changes are made when the Secretary deems them to be appropriate.
- D. Administrative Costs of the CWSRF - The Department, intends to use an amount equal to 4% of federal grant funds for administrative support. (See Attachment B, Staffing List and Budget). The FY04 administrative budget for the CWSRF program is \$829,572. Administrative costs of the CWSRF program by grant are presented in Chart 1, Section F. Additional monies for administrative costs of the CWSRF program will also be generated from the Department's 0.50% administrative fees on all loans. The State's Administrative Fees Fund is held outside the SRF Fund and at June 30, 2003 had a balance of \$6,825,173.
- E. Enforcement Orders - The CWSRF currently works closely with State and Federal enforcement officials to implement long-term goals and help communities comply with Federal and State water quality standards.

- F. Cash Management - The Louisiana Department of the Treasury manages the investment of the CWSRF cash in the same manner as cash and reserves for other agencies and programs. Investments, by State law, are limited to government securities, collateralized bank certificates of deposit and like instruments. No changes to investment vehicles are presently contemplated.

## **VII. ASSURANCES AND SPECIFIC PROPOSALS**

The Louisiana Department of Environmental Quality provides the necessary assurances and certifications as part of the Operating Agreement between the State of Louisiana and the U.S. EPA. This includes the requirements of the following sections of the law:

- 602(b)(2) State Matching Funds - The State of Louisiana agrees to provide match monies in an amount equal to 20 percent of each grant payment. The State of Louisiana will fund the required State Match by using State General Fund appropriations, Capital Outlay appropriations, tobacco settlement funds and bond proceeds. The State will deposit sufficient cash match into the CWSRF to meet its proportionate share requirement prior to drawing federal funds in accordance with 40 CFR 35.3135(b)(1).
- 602(b)(3) Binding Commitments - The State of Louisiana will enter into binding commitments for 120% of each quarterly payment within 1 year of receipt of that payment.
- 602(b)(4) Expeditious and Timely Expenditures - The State of Louisiana will expend all funds in the CWSRF in a timely and expeditious manner. Federal EPA/ACH payments shall be expended within 16 quarters from scheduled payment dates.
- 602(b)(5) First Use for Enforceable Requirements - The State of Louisiana confirms that any publicly owned treatment works previously identified as part of the National Municipal Policy (NMP) universe are either in compliance, on an enforcement schedule, have an enforcement action filed, or have a funding commitment from a prior year.
- 602(b)(6) Compliance with Equivalency Requirements - The State of Louisiana agrees to meet the specific statutory requirements (Title II) for publicly owned wastewater treatment projects constructed in whole or in part before FFY 1995. Projects funded after FFY 1995 will meet applicable (non-Title II) equivalency requirements.
- 40 CFR 35.3140 Environmental Reviews - The State of Louisiana will conduct environmental reviews as specified in the Project Review Procedures of the Operating Agreement and 40 CFR 35.3140.

## **VIII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS**

### **A. State Revolving Fund (SRF)**

The staff of the Financial Services Division will perform fiscal analyses to determine the amount of funding to be available. The State's Project Priority List consists of a prioritized listing of all projects that have submitted a pre-application, been assigned a priority rating, are expected to qualify for and have expressed an interest in participating in the Program. The Project Priority List is an integral part of the IUP.

Projects funded under the Capitalization Grants, including the FFY 2004 grant, are listed in order of their targeted binding commitment dates in Chart 1, Section B. Communities will be assisted in the form of direct loans to construct, upgrade and rehabilitate their publicly owned wastewater treatment works as defined in Section 212 of the Clean Water Act and as listed on the State's IUP.

The municipalities listed on Chart 1 of this IUP are eligible to receive assistance from the Fund to be used as described above. Projects are funded on a first come, first served basis. The Project Priority system will be revised to accommodate demand and community needs in excess of the financial resources readily available to the program. Subject to Federal approval, future IUPs will incorporate revisions with detailed explanations.

This IUP is based on the anticipated Federal Capitalization Grant for FFY 2004, for which an application is being filed, and the associated state match as well as principal payments and interest earnings deposited into the fund.

1. Sources of Funds Available for Loans and Administration - Attachment A identifies Louisiana's total funding sources for FY 2004. \$85,307,165 in resources will be available to the State of Louisiana's CWSRF in FY2004 including federal capitalization grants, state matching funds, interest earnings and loan repayments.

2. FFY 2004 Capitalization Grant breakdown is as follows:

Capitalization Grant . . . . .	\$ 14,560,029
20% State Match . . . . .	<u>\$ 2,912,006</u>
Total Funds . . . . .	\$ 17,472,035
Administration (up to 4%) . . . . .	(\$ 582,401)
Total Funds for Loans . . . . .	\$ 16,889,634

3. FFY 2004 Capitalization Grant Payment Schedule:

The EPA Administrator, or his duly authorized representative, and the State of Louisiana shall jointly establish a schedule of payment under which the EPA Administrator, or his duly authorized representative, will pay to the State of Louisiana the amount of each grant to be made to the State under Title VI of the Act. This schedule shall be based on the State's IUP under Section 606(c) of the Act, except that:

- such payments shall be made in quarterly installments, and
- such payments shall be made as expeditiously as possible.

These payments shall be made by the EPA Administrator, or his duly authorized representative, to the State of Louisiana based upon disbursement schedules for all awarded Capitalization Grants. See Chart 3 - EPA Payment Schedule & Binding Commitment Schedule by Federal Quarters. The FFY 2004 capitalization grant payment schedule is as follows:

1 <sup>st</sup> Installment	-	\$ 1,825,000	December 2003
2 <sup>nd</sup> Installment	-	\$ 1,825,000	March, 2004
3 <sup>rd</sup> Installment	-	\$ 1,825,000	June, 2004
4 <sup>th</sup> Installment	-	\$ 1,825,000	September, 2004
5 <sup>th</sup> Installment	-	\$ 1,825,000	December, 2004

6 <sup>th</sup> Installment	-	\$ 1,825,000	March, 2005
7 <sup>th</sup> Installment	-	\$ 1,825,000	June, 2005
8 <sup>th</sup> Installment	-	<u>\$ 1,785,029</u>	September, 2005

TOTAL                    \$14,560.029

4. FFY 2004 Disbursement Schedule - In order to calculate the disbursement schedule for the FFY 2004 Capitalization Grant, Five (5) projects were identified as fully or partially applicable to the FFY 2004 grant. (Shreveport Loan 3 and 4, Youngsville, Opelousas 5, and Slidell 2). Louisiana's disbursement schedule is based on project construction dates and projected EPA/ACH payment drawdowns for this project.

#### B. Hardship Grant

The eligible project from the SRF project priority list funded as a hardship grant is listed in Chart 1, Section G. Projects were evaluated for their eligibility for hardship grant funds according to the following criteria:

1. The community lacked centralized wastewater treatment or collection systems. This was verified by information submitted on an SRF pre-application.
2. Per capita annual income of residents served by the project did not exceed \$13,244, which is 80% of the national per capita annual income of \$16,555, according to the 1990 determinations by the Bureau of the Census. Income figures for applicants were obtained from the Bureau of the Census to determine which communities meet this income requirement. The 2000 Census shows Henderson per capita income at \$13,907 which is 64% of the national per capita income at \$21,587 a decline of 16% from the figure used at the time the grant was awarded.
3. On the date the community applied for assistance, the local unemployment rate exceeded by one percentage point or more the most recently reported monthly, national unemployment rate. The Louisiana Department of Labor provided local unemployment figures to compare with national figures from the United States Department of Labor to determine the eligibility of communities in regard to these criteria.
4. Without hardship assistance, the average annual wastewater treatment cost per household would exceed affordability criteria established for the SRF. All applications were screened for these criteria by LDEQ staff.

## IX. PUBLIC REVIEW AND COMMENT

A public hearing to present this IUP and Priority List was scheduled for December 3, 2003 at 10:00AM in Room 919, Galvez Building, at the Department of Environmental Quality, 602 North Fifth Street, Baton Rouge, LA 70802. Copies of the IUP and Priority List were made available for public review and comment between November 17<sup>th</sup> and December 4<sup>th</sup> and written comments were accepted through close of business, December 4, 2003. Any comments received will be duly



considered and will be provided to EPA. An official copy of the transcript of the public hearing will be provided as soon as it is available.

## **X. RECORDS**

The State of Louisiana will receive and review all project documents from assistance applicants. These documents, together with the State's review memos and checklists, will be filed in the official project files maintained by the State. The project files and other CWSRF records located in the State offices shall be made available in accordance with public record laws and for EPA on-site visits scheduled as part of the annual review or audit of the CWSRF.

The State of Louisiana will retain the official project files and other CWSRF files in accordance with 40 CFR Part 31 and will otherwise arrange for the storage of files in accordance with Louisiana State Law and applicable Department Policy and Procedures.

## **XI. INTENDED USE PLAN AMENDMENT PROCEDURES**

Revisions to this Intended Use Plan (IUP) that are determined material will require public notice and EPA notification and approval. Revisions to this IUP that are determined not to be material shall be made by the Division with notification to EPA or through EPA's required annual reporting.